

Michigan Council of Self Insured Group Administrators

November 22, 2011

Reforms, Restructuring and Reinventing Committee
Michigan State Senate
P.O. Box 30036
Lansing, MI 48909-7336

Dear Chairperson:

On behalf of the Board of Directors I am writing to express our support for HB 5002.

By way of background MCSIGA is a thirty year old organization that supports self insured groups in Michigan. The Workers' Compensation Act allows two or more employers in the same industry with combined assets of over \$1,000,000 to pool their liabilities for purposes of qualifying as a self insurer. Currently there are 31 groups operating in the State. Among others our membership includes the Michigan Restaurant & Lodging Fund, Associated Builders & Contractors Fund, Michigan Timberman's Fund, Michigan Retail Hardware Fund, etc. Collectively SIG's provide workers' compensation coverage to over 8,000 employers, most of whom are private small businesses or governmental entities.

We feel the Michigan Workers' Compensation Act is in desperate need of revision to reflect the many changes that have occurred over time. HB 5002 will serve to benefit both business and injured workers by establishing a more efficient system. The revisions will help stabilize, clarify, and modernize the Act.

Our members and the small employers they represent face many challenges, the least of which should be trying to interpret an ambiguous workers' compensation system. HB 5002 addresses the ambiguity that exists in the system. It acknowledges advancements in medical technology and takes into account the economic changes that can occur. It codifies current case law clarifying confusion over things like:

- The distinction between total disability and partial disability
- Compensation for "personal injury" arising out of and in the course of employment vs. personal injury not connected to employment
- "Wage earning capacity" and "wage loss"
- Compensability for mental disabilities when not caused by physical trauma

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The bottom line is that it creates more predictability in the workers' compensation system for both employers and injured workers. A more predictable system makes the State far more attractive for job expansion and job creation.

On a related matter, we would like to discuss the 3% assessment cap on the Self Insured Security Fund (SISF). Our concern rests with the fact that members of self insured groups pay into the SISF but realistically have no way to receive benefits from it.

The Self Insurers Security Fund was created as part of the Workers' Disability Compensation Act of 1969 for purposes of paying claims to injured workers' associated with self insured employers who have become "insolvent" as defined by the Act. The SISF is administered by a Board of Trustees with the ability to assess self insured employers up to 3% of the value of paid indemnity claims for a given year.

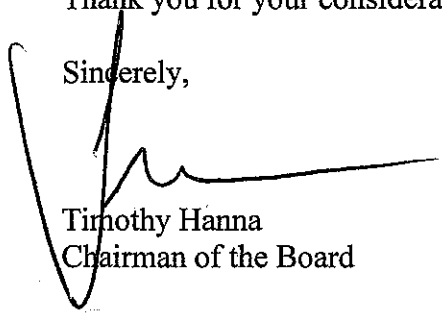
There is a major difference between members of a SIG and individual self insurers. An individual self insurer stands alone subject to posting security as required by the WCA. SIG members on the other hand are joint and severally liable for claims and can be assessed by the Director in the event the SIG cannot meet its claim payment obligations.

- Under Section 502 of the Act, an "insolvent private self-insured employer" is defined. There is no distinction between a private individual self insurer vs. a private employer in a SIG.
- To be defined in Section 502 as "insolvent" all members of a SIG would need to be declared insolvent. This would be an extremely unlikely occurrence resulting in a reality by which a SIG could never file a claim against the SISF even though it contributes to its funding.

We would respectfully request that SIG's be exempted from the 3% SISF assessment by addressing the language in section 502 in HB 5002.

Thank you for your consideration in this matter.

Sincerely,



Timothy Hanna
Chairman of the Board